

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

IN RE:

- 1) REHEARING OF PETITION NO. 281707 OF RESORTS INTERNATIONAL, INC., RESORTS INTERNATIONAL HOTEL, INC., RESORTS INTERNATIONAL HOTEL FINANCING, INC., THE TRUMP HOTEL CORPORATION AND DONALD J. TRUMP FOR DECLARATORY RULINGS;
- 2) APPLICATION OF THE TRUMP HOTEL CORPORATION FOR THE ISSUANCE OF A CASINO LICENSE;
- 3) APPLICATION OF RESORTS INTERNATIONAL HOTEL, INC. FOR RENEWAL OF ITS PLENARY CASINO LICENSE AND ITS CASINO HOTEL ALCOHOLIC BEVERAGE LICENSE (PRN 282701)
- 4) APPLICATIONS OF LECTROLARM CUSTOM SERVICES, INC. AND INTERNATIONAL INTELLIGENCE, INC. FOR RENEWAL OF THEIR CASINO SERVICE INDUSTRY LICENSES; AND
- 5) PETITION OF RESORTS INTERNATIONAL HOTEL, INC. AND RESORTS INTERNATIONAL, INC. FOR WAIVER OF QUALIFICATION OF SECURITY HOLDERS AND OF DEBENTURE HOLDERS OF RESORTS INTERNATIONAL, INC. AND RESORTS INTERNATIONAL FINANCING, INC. (PRN 303701):

VOLUME III

AFTERNOON
SESSION

Monday, February 8, 1988
2:25 p.m.
3131 Princeton Pike
Public Meeting Room
Building No. 5
Lawrenceville, NJ 08648

B E F O R E:

WALTER N. READ, CHAIR
W. DAVID WATERS, VICE CHAIR
CARL ZEITZ, COMMISSIONER
E. KENNETH BURDGE, COMMISSIONER
VALERIE H. ARMSTRONG, COMMISSIONER

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4 PRESENT FOR THE CASINO CONTROL COMMISSION:

5 KAREN BIACHE, PRINCIPAL PROCEDURES ANALYST
6 DARYL NANCE, PROCEDURES ANALYST

7 ON BEHALF OF THE COMMISSION STAFF:

8 JOHN R. ZIMMERMAN, DEPUTY DIRECTOR, LEGAL
9 JOYOTI M. FLEMING, ASSISTANT COUNSEL

10 ON BEHALF OF THE DIVISION STAFF:

11 MICHAEL VUKCEVICH, DEPUTY ATTORNEY GENERAL
12 MICHAEL ROMANO, SENIOR AGENT
13 JEAN ESCARPETA, SENIOR AGENT

14 ON BEHALF OF PETITIONER RESORTS INTERNATIONAL, INC.

15 STERNS, HERBERT, WEINROTH & PETRINO, ESQS.,
16 BY: JOEL H. STERNS, ESQ. and PAUL M. O'GARA, ESQ.,
and
JOHN M. DONNELLY, ESQ.

17 ON BEHALF OF TRUMP HOTEL CORPORATION

18 RIBIS, GRAHAM, VERDON & CURTIN, ESQS.,
19 BY: NICHOLAS L. RIBIS, ESQ.

20 ON BEHALF OF TRUMP ORGANIZATION

21 HARVEY I. FREEMAN, ESQ. (NY Bar)
22
23
24
25

I N D E XWITNESS:PAGEFOR RESORTS/TRUMP

DONALD J. TRUMP

Continued cross by Mr. Vukceovich

331

By the Commission

332

Recross by Mr. Vukceovich

408

HARVEY I. FREEMAN

Direct by Mr. Sterns

411

Cross by Mr. Vukceovich

414

By the Commission

416

Recross by Mr. Vukceovich

425

E X H I B I T SNO.DESCRIPTIONEVD.

D-96

2/1/88 letter to Karl Braun
from Richard K. Weinroth

331

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CHAIRMAN READ: Let's come back to order again. Mr. Vukceovich, you had a question I guess you were about to pose.

MR. VUKCEVICH: Mr. Chairman, in response to that question, there was a letter dated February 1, 1988 to Mr. Karl Braun, Supervisor of the Shore Mainland Region of the Division of Coastal Resources from Richard K. Weinroth. That's a 14-page document which I have reviewed and that substantially answers the questions that I did have and fully explains each of the areas and I don't think that anything further could be gained through the questioning of this witness. And I have premarked that as D-96 and would offer that into evidence at this time.

CHAIRMAN READ: D-96. Again if you would, please, the date of it is?

MR. VUKCEVICH: February 1, 1988.

CHAIRMAN READ: Thank you.

Any objection to that, Mr. Ribis?

MR. RIBIS: I have no objection.

CHAIRMAN READ: Mr. Sterns?

MR. STERNS: I would attempt to object to anything Mr. Weinroth does.

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2 CHAIRMAN READ: Too late. We will
3 receive that as D-96.

4 (At which time Exhibit D-96, February
5 1, 1988 letter to Karl Braun from Richard K. Weinroth
6 was received and entered into Evidence.)

7 CONTINUED CROSS-EXAMINATION

8 BY MR. VUKCEVICH:

9 Q Mr. Trump, I would like to show you exhibit
10 D-7 which is entitled Taj Mahal Projected Budget.

11 I ask you to look that over, if you
12 would.

13 A Yes, sir.

14 Q Have you seen that projected budget before?

15 A I don't remember seeing it, no. This
16 specifically I don't remember seeing.

17 Q Basically, the overall question, to the best
18 of your ability, if you could answer it is, we spoke
19 about possibly \$470 million in financing. The general
20 question, I will give you both the general and
21 specific one, is can you give us some idea of exactly
22 what that money will be spent for? And in particular
23 what I wanted to ask you in regard to D-7, if you
24 know, the proposed budget includes amount owed to RII,
25 if you follow that down, you can see \$38 million for

1 Trump - By Commissioner Zeitz

2 land cost and on the last page, page four, you can see
3 various other amounts which total \$141,471,000.

4 So the specific question is, does that
5 \$475 million include any money that RINJ owes to RII?

6 A I am just not sure. I wasn't familiar with
7 that and I am not sure of those details.

8 Q Can you give us a general idea of what the
9 money will be spent for?

10 A Well, construction and interest. Primarily
11 construction and interest, I guess, and management
12 supervision, et cetera.

13 Q Thank you.

14 MR. VUKCEVICH: No further questions.

15 CHAIRMAN READ: If I had known that, we
16 might not have quit before lunch.

17 Mr. Zeitz.

18 EXAMINATION BY COMMISSIONER ZEITZ:

19 Q Mr. Trump, I just have a few questions.

20 On that exhibit that Mr. Vukceovich just
21 showed you, there is a \$38 million land cost, do you
22 know where that comes from?

23 A I believe that is the cost of the land that
24 Resorts purchased including the Housing Authority land
25 and including a lot of the other land that they

Trump - By Commissioner Zeitz

purchased. I think they paid Golden Nugget about \$10 million years ago and they paid various other people because again the Taj is only built on a portion of the Housing Authority land and the rest of it was land that was purchased over the course of a long period of time and they have approximately close to \$40 million in the land.

Q In the land.

One thing I have difficulty understanding is, if you take the company Trump and you own everything that the company is and the company's obligations going forward become yours, and the 38 million or 40 million that has been spent for the land then becomes an expenditure in effect that you have already made?

A That's correct.

Q Do you have to raise the cash to pay yourself back for that; in other words, do you have to raise the \$38 million in cash?

A Well, the land has already been paid for. Essentially, it's a debit to the company, it's money that had been spent, and it's probably a pretty fair amount of money.

I was surprised to see, you know,

1 Trump - By Commissioner Zeitz

2 originally speaking because I saw it awhile ago, but I
3 was surprised to see the amount of the money that they
4 had, considering some of the land is built on the
5 Housing Authority piece also. It seems that they paid
6 a fairly substantial amount for the land which was
7 purchased a long time.

8 Q In the money you have to raise, you don't
9 actually have to raise the money, the land cost?

10 A It's money that has been paid, so I guess
11 you could say it's money that would be reimbursed back
12 to the company, I think, from an accounting
13 standpoint, but basically it's money that has been
14 paid, the 38. That's not a fictitious number or
15 anything, that's money that's actually been paid out.

16 Q Pardon me?

17 A In other words, it's a cost of the building
18 itself.

19 Q Already reflected in what has already been
20 spent?

21 A I believe that's correct, yes.

22 Q You indicated, without getting too terribly
23 specific because I understand you are still in
24 negotiations with at least one substantial banking
25 institution, that the loan you are talking about would

1 Trump - By Commissioner Zeitz

2 be at the prime rate?

3 A Well, it would be a rate around there,
4 depending on what I was willing to give. It might not
5 be at the prime rate, but it will be right around
6 that, depending on what I am willing to do in terms of
7 security for the loan.

8 Q Would it then move with the prime rate?

9 A Yeah. Generally, you know, the more that I
10 give, it becomes prime because if I borrow, I borrow
11 at prime or I can borrow below prime, so, you know, if
12 I went out and borrowed the money, it would be at a
13 very prime rate. It could be -- depending on what
14 security there is, it could be a little above prime
15 but it's in that general vicinity.

16 Q It's not necessarily decided because you
17 were in negotiations, but you may have to support this
18 with private assets outside of those of the company?

19 A It could very well be and that makes it more
20 of a prime loan.

21 Q Is it, to any degree, contingent on the
22 completion of the tender offer?

23 A Oh, yes, yes. Without the tender, there
24 would -- you know, this loan wouldn't be possible.
25 Nor would it be possible for me to borrow the money

1 Trump - By Commissioner Zeitz

2 because again I guess it's nine or eleven percent of
3 the company and I wouldn't be borrowing the money.

4 Q So that if you complete your negotiations
5 with the bank between now and the end of the 75-day
6 period that has been allowed for the tender offer to
7 be completed and you sign those documents, they would
8 have a conditional clause, that the bank loans, in
9 other words, would be made even if it wasn't
10 finalized?

11 A Yes, sir.

12 Q Subject to the tender offer being finalized
13 and completed?

14 A Yes, sir.

15 Q I just have one more concerning this whole
16 question of housing and the tract.

17 Councilman Whalen of Atlantic City has
18 made a proposal, I want to know if you have heard
19 about it first, but I think it runs roughly this way:
20 Let's assume a 1200 housing obligation, because I
21 think that's what he is working with.

22 A Fine.

23 Q Effectively, I think what he has proposed is
24 a deal by which Resorts would transfer the housing
25 obligation from the tract to the CRDA target area in

1 Trump - By Commissioner Zeitz

2 the north inlet, the company would also undertake to
3 assist the development of housing on Block 108. In
4 return the company would agree -- would keep its
5 option on the 30 or so acres remaining on the tract
6 with an agreement to develop that as non-casino hotels
7 from Pacific to the Boardwalk and provide commercial
8 development from the area of the tract between Pacific
9 and Atlantic.

10 Have you seen anything specifically on
11 that proposal?

12 A Not in exactly that form. The last part is
13 the part that I wasn't that aware of. The development
14 is non-casino hotels, the remaining portion of the
15 tract so I haven't heard it in that form. I have
16 heard where they would like to have the housing
17 credits go more inland into the inlet as opposed to it
18 being along the boardwalk, I had heard that. I hadn't
19 heard they were wanting the rest to be developed as
20 non-casino hotels specifically.

21 Q I happened to have a conversation with him
22 and that is what he told me so I can represent to you
23 that that's my understanding of exactly what he is
24 proposing at this moment.

25 A Right.

1 Trump - By Commissioner Zeitz

2 Q Do you think that can provide the basis for
3 an agreement, and, of course, the Housing Authority
4 would have to agree and other people would have to
5 agree?

6 A Well, I think we have been having a very
7 meaningful dialogue with the Housing Authority and
8 their lawyers on the future as to -- you know, we need
9 speed in order to get this thing done in terms of what
10 is there but I think we have -- you know, I think we
11 are very openminded to the whole concept of moving
12 into the inlet, doing certain areas in the inlet. I
13 had not heard the concept of what you are saying with
14 the non-casino aspect on the boardwalk.

15 I think we are very flexible on the
16 whole issue. The big question is going to come, at
17 some point somebody is going to have to make a
18 determination as to the marketability of all of these
19 units and that will be a big question. But we are
20 flexible as to where to put it and how to put it and
21 all of those other items I think, yes.

22 COMMISSIONER ZEITZ: That's all I
23 have.

24 THE WITNESS: Thank you.

25 CHAIRMAN READ: Mr. Burdge.

Trump - By Commissioner Burdge

EXAMINATION BY COMMISSIONER BURDGE:

Q When was the first time you thought about taking Resorts private?

A Well, I think, as we discussed, Commissioner, Mr. Schulte brought it up during our original discussion and I guess it was, you know, it was no great -- you know, it was probably something that a lot of people thought could happen. I just really never thought in terms of it because it was impractical based on the price of the stock, but I think really in terms of the offer itself, it was some time after the hearings had ended and really probably even after the approval of the management contract, in terms of any meaningful thought process. You always can think about taking something, but in terms of any meaningful thought process, I think it was after that and I just did it, I just went out and did it.

Q But you didn't have anything in your mind prior to the last hearing about taking Resorts private?

A Well, you know, again to answer the question fairly, you always think in terms of -- I mean all you have to do is pick up the Wall Street Journal and you read so many different LBOs and leverage buyouts,

Trump - By Commissioner Burdge

that's always an option. It was an option even brought up to me by the independent directors through Mr. Schulte but I would say that I had not thought of it -- in terms of my own conscious, I had not thought of it at all and even remotely seriously until some time after the hearings, and I would even say after -- you know, right around the time of the approval of the management contract and that had to do with the factors that I discussed before, basically, the reasons why.

Q You are saying after bloody Monday when you know the stock dropped, that didn't have any play on your mind to say Well, this would be a good opportunity for Donald Trump to take the stock, to take the company private because you know the stock was dropping? You also knew from the negative testimony that was given in the last hearing, that didn't help the stock price either?

A No, it didn't. I didn't want that testimony given either, Mr. Commissioner, as you probably have, you know, noticed at the time.

In fact, we asked that it be given privately or it be given in some different forum, but I wasn't happy with having all of the various people

Trump - By Commissioner Burdge

testifying at the last hearing. That probably did have an effect on the stock, it possibly had an effect on the stock. It was certainly a very open process, but the company was analyzed very strongly at the last hearing and, you know, it wasn't in a very positive vain unfortunately.

It didn't help in any event, it didn't help with financing, it didn't help with the other. But again I think the financing might have been on the bigger picture and that's what is happening generally with this kind of financing.

Q Why wouldn't the lenders finance the Taj for Resorts after you had bought in and you testified here today Paradise Island is a very profitable, valuable asset of the company and why couldn't you have used Paradise Island as a guarantee for additional monies?

A Well, because it's outside of the United States and the banks are at this point -- I mean there are a number of reasons beyond this question, but it's outside of the United States. And the banks, as you have been reading, have been having lots of problems with foreign loan and foreign loan collections is one reason.

And, you know, there are just a lot of

1 Trump - By Commissioner Burdge

2 reasons why the banks wouldn't have done it and won't
3 do it. There are also additional things, as I said
4 before, that I can do for Resorts in terms of making
5 those banks very happy with what they are doing and
6 what they are lending that you can't do when you own
7 nine percent of the stock.

8 Q You have estimated that it would take
9 approximately \$930 million to complete the Taj today,
10 do you still stick to that figure?

11 A Well, you see part of the number that will
12 be bringing it down will be the interest rate because
13 interest factors are a very big factor in terms of
14 construction. It's a huge factor but the interest
15 rates should be very substantially lower. The amount
16 of interest paid will be substantially lower by the
17 fact that, as I explained before, I am doing the
18 construction loan as opposed to borrowing the money
19 and paying all of that interest.

20 So I don't know what the final number
21 is based on that, but it gets to be, you know, a
22 number which should be -- you know, hopefully, it's
23 going to be less than that to a large extent because
24 of the interest factors. As far as the construction
25 is concerned -- you see there was a misconception for

Trump - By Commissioner Burdge

years. For a long I was reading about 517 to \$525 million for the Taj Mahal.

Now, everybody thought the Taj Mahal was going to cost \$525 million. But that didn't include interest, that didn't include land, that didn't include a lot of soft costs, that didn't include a lot of other costs. That was construction costs. Construction is one element in the total cost of a building or anything.

So you know everybody is thinking the Taj Mahal was going to cost \$525 million, that was purely on a construction basis, it was going to cost \$525 million.

Of course, that raised, if you read the earlier reports, if you pick up newspapers from four years ago, I don't know how they came up with this number, but they had it down to \$187 million or something. \$187 million, I think that's just a wrong number. I have a feeling that that was probably going to be for a non-casino hotel. I don't usually use that as an sample because I suspect maybe it was \$180 million and that was going to be for 1200 rooms of non-casino hotel without all of the costs of a casino and the associated things.

1 Trump - By Commissioner Burdge

2 You know, 525 million, before that it
3 was 400 and 350 and 400, but I heard for a long time
4 525 million, 517 to 525 million, but that is the hard
5 cost of construction, that didn't include interest,
6 land and a lot of other costs associated with it.

7 I have never understood why people
8 didn't say what the real cost of the Taj Mahal was.
9 How can you say it's going to cost \$525 million when
10 that doesn't include the land and it doesn't include
11 all of the costs of construction and interest and
12 other things.

13 Q Didn't you add to the original estimate by
14 putting extras into the project?

15 A Well, you know, depending on what your
16 definition is of extras.

17 When you are opening a building with
18 not nearly enough restaurants, I think they were going
19 to have two or three restaurants in this building. I
20 mean in Trump's Castle we have seven or eight; in the
21 Plaza, it's similar numbers. Here is a building that
22 is twice the size and they were having very few
23 restaurants. They weren't going to build their food
24 court, they cut down the casino size from 120 to
25 100,000 feet, they weren't going to build the suites.

1 Trump - By Commissioner Burdge

2 To me I don't look at that as being my adding extras,
3 to me that's completing the building.

4 In New York City they were building a
5 convention center, and in order to cut the cost, I
6 think they cut about 70,000 feet off the convention
7 center. Then they tried to say Well, we saved money,
8 we came in on budget. They actually didn't, they came
9 in hundreds of millions of dollars over budget. That
10 was a tactic that was used where they built a smaller
11 building and tried to say it's coming in at the same
12 kind of costs.

13 You have to build a restaurant, you
14 have to build a suite, you have to build the casino,
15 you have to build the building. And so I would
16 consider that would be the cost of building this
17 building.

18 And by the way, to build it later will
19 cost three times and four times as much because when
20 you are building a job where, you know, people are
21 going up in beautiful brand new elevators with
22 cinderblock and sheet rock and with all of the
23 problems, and they ruin the elevators and you can't
24 use them and you can't schedule them, it ends up
25 costing you two or three or four times more.

1 Trump - By Commissioner Burdge

2 I just went through that at Trump's
3 Plaza and there is nothing more difficult than to
4 build in a building that is already occupied. So if
5 we are going to build it, it has to be built now,
6 otherwise later on -- sure, it can be built later on,
7 but it's going to cost you three times as much and
8 it's going to ruin your existing building.

9 Q Mr. Trump, hasn't every major casino in
10 Atlantic City had building additions?

11 A Oh, sure, absolutely.

12 Q Don't they continue to have --

13 A Oh, absolutely.

14 Q -- the problems that you have just
15 testified to?

16 A Absolutely. That's also one of the
17 problems.

18 Q Don't people have to live within their
19 means? It's just like when a family that starts out,
20 they don't have any kids, maybe at the end of 20
21 years, they have added on two or three bedrooms?

22 A I agree with you, but we are not talking
23 about the kind of money that would have made that
24 meaningful a difference even if we were assuming \$50
25 million extra and then you have the right building.

1 Trump - By Commissioner Burdge

2 The additional \$50 million, which would have been 150
3 or more or thereabouts, the additional \$50 million is
4 going to give you -- I mean to me the worse thing to
5 happen with the Taj Mahal is for the building to open
6 and for people to have been disappointed with it
7 because the word of mouth on something like this, it's
8 like a Broadway show, I mean the word of mouth would
9 have been devastating.

10 If you had lines going around the block
11 for people standing at restaurants because they can't
12 get food and can't be served, and we are building a
13 big food court, you have to build it, it's not because
14 I want to build it. The last thing in the world I
15 want to do is build it but, you know, when you have
16 the kind of anticipation for this building as I see,
17 because everybody is asking about the Taj Mahal, the
18 Taj Mahal, and then they go into the building and they
19 can't get food or they can't get sweets or they can't
20 get the kind of basic elements that weren't built, let
21 alone a casino that would have been designed
22 incorrectly because it was not designed as it was
23 built, the steel was up for 120,000 feet, and they
24 lopped off a side of the casino.

25 When you have that kind of anticipation

1 Trump - By Commissioner Burdge

2 and the people go in and are disappointed, I mean we
3 have seen a somewhat recent example of that where the
4 people go in, it opens up big and then they get
5 disappointed or whatever and they don't come back a
6 second time.

7 This building has to get the people to
8 come back many, many times and, you know, to me I
9 think it would have been a disaster if it opened up
10 incorrectly.

11 We are not talking about hundreds of
12 millions, we are probably talking about a difference
13 of \$50 million or so for what we are talking about or
14 mentioning.

15 Q Are you telling me that you feel that your
16 final cost will come in, let's say, around 850 million
17 today instead of the 930? Could it come in as low as
18 700 million?

19 A I don't know. I don't think so. I don't
20 know what the costs are going to come in at, sir.

21 I will tell you what, I think the hard
22 costs will come in somewhere between 600 and 650.
23 Those are the only costs I really have control over.
24 I don't have control over what the interest rates are
25 going to be beyond making an original deal, when you

1 Trump - By Commissioner Armstrong
2 get them as low. It would be a floating deal in any
3 event in this particular case.

4 The cost that I can somewhat control is
5 the construction cost and those costs, I believe, will
6 be between 575 and 650, which are pretty much the same
7 as what we are anticipating now. If I can save a lot
8 of money on interest, that's something that I would
9 like to try to do.

10 COMMISSIONER BURDGE: No further
11 questions, Mr. Chairman.

12 THE WITNESS: Thank you, sir.

13 CHAIRMAN READ: Ms. Armstrong.

14 EXAMINATION BY COMMISSIONER ARMSTRONG:

15 Q Mr. Trump, you indicated in your testimony
16 that the papers, that is the media, judges by what is
17 said at these hearings and you indicated that the
18 value of the Resorts stock dropped tremendously after
19 the last hearing and I think you just indicated to
20 Commissioner Burdge that you feel that some of that is
21 substantially due to the negative testimony which was
22 given at the last hearing.

23 Do you think that the Management
24 Contract itself had an impact on the valued stock?

25 A I think it may have had, it's a very

1 Trump - By Commissioner Armstrong
2 complicated question because when there was an article
3 written that I may not be approved for the Management
4 Contract in the New York Times, as I remember it, the
5 stock dropped very precipitously.

6 At the same time when it was approved,
7 it continued to drop but the thing that really got it
8 started dropping was an article that I wasn't going to
9 do the deal because it looked like the Management
10 Contract may very well not be approved or something to
11 that effect. That seemed to be the tenor of the
12 article. It was in the New York Times. It had a very
13 negative effect, that aspect of it had a very negative
14 effect. Even after it was approved, the stock also
15 went down so I don't know. It's a tough question to
16 answer.

17 Q I understand that Resorts cut back
18 substantially on construction on the Taj site just
19 before Christmas and I wonder if you could tell me
20 what the basis for that was?

21 A No money.

22 Q You indicated that you are going to have
23 heavy construction starting again on March 1?

24 A That's the date we are shooting at if we can
25 have things cleared up where I am convinced -- I will

Trump - By Commissioner Armstrong

put my own money in at a certain point when I am convinced that it's only a statutory process we are going through for the rest of it. In other words, at some point maybe over the next two weeks or so it becomes more of a statutory thing. It's just like a closing that you know is going to happen.

When that happens, I will put my own money into the company to get it going faster, to get the Taj going faster.

Q You commenced the tender offer I think as of last Friday?

A I don't know the exact date, Friday.

Q The expiration date was March 4?

A I believe that's correct, yes.

Q You are not anticipating getting all of those approvals and conditions met in Annex I by March 4, are you?

A I would like to. We have -- I mean it's not overly complex. I think they could be approved in a week; I think they could be approved in a day, in a true sense if people wanted to approve them. We are not talking about a very complex situation, I don't believe, with the Housing Authority and we have been dealing, both parties have been dealing in good faith

1 Trump - By Commissioner Armstrong
2 with CAFRA and, you know, it's not very complicated to
3 do.

4 The problem with Resorts, I came into
5 somewhat of a hornet's nest because they had so many
6 different things out between housing commitments and
7 this and that, they were lasting out there, they were
8 out for it seems like years and they were never
9 clarified, they were never straightened out and never
10 put into order.

11 I would like to consider myself a good
12 manager, I am a good manager and I manage, I think,
13 efficiently. I want to get everything cleaned up so
14 we don't have to have the kind of turmoil that they
15 have had. The time to clean it up is before you do it
16 and essentially that's what I am trying to do. It's
17 not very complicated. I think everybody understands
18 the issues and there is no reason why it can't be done
19 by that date.

20 Q If the merger is not consummated, if you
21 have don't get the conditions met in Annex I or some
22 other factor comes into play and in light of the
23 stipulation that was introduced in this proceeding in
24 which the Management Contract has been substantially
25 modified in which you would waive any management fees

1 Trump - By Commissioner Armstrong
2 until the Taj was completed and opened for legalized
3 gaming and in light of your comments that you have
4 made leading up to your attempts to take the company
5 private that you just can't do the Taj Mahal unless
6 you own 100 percent of the company, if this merger
7 does not go through, where is that going to leave
8 Resorts and where is that going to leave your status
9 with the company?

10 A I don't know. I really don't know.

11 Q Is that because you are that confident the
12 merger will go through?

13 A No. It's just -- I think I am confident
14 that the merger will go through. I think the price
15 that is being paid is a fair price, that's not the
16 reason. I just don't know. I mean in a sense it's
17 back to square one, if that should take place, it's
18 back to square one. I don't know what would happen.

19 Q When you say "back to square one," does that
20 include the possibility of attempting to renegotiate
21 the stipulation that was introduced which has modified
22 the Management Contract?

23 A I don't think so. I don't think that would
24 be something I would renegotiate. I think that would
25 be the least of the problems. To be perfectly honest,

1 Trump - By Commissioner Armstrong
2 the Management Agreement, that would be the least of
3 the problems.

4 Q Mr. Trump, you indicated, I think it was on
5 cross-examination, Mr. Vukceovich was asking you some
6 questions about the Housing Authority and the housing
7 obligation that you feel that currently there is no
8 market in the city for housing units. Where does that
9 leave your plan that is before the CRDA in terms of
10 preliminary approval for the 1200 units?

11 A Well, I think, and I say this and I say it
12 against myself in a way, I think that I am a very big
13 believer in location and in quality and I think that
14 we have a better location than anybody else. And I
15 think that the fact that the market isn't appropriate
16 to build doesn't mean that you can't make money.

17 I have seen people make a lot of money
18 in bad housing markets because they had something that
19 was better than anybody else.

20 At the same time, I will tell you
21 that's not necessarily a positive thing for the city
22 or the inlet. You are talking about building a
23 building on the water as opposed to building a
24 building in the inlet and it may not be positive.

25 As I say, everybody says, Well, what

Trump - By Commissioner Armstrong

1 difference does it make its pretty obvious. I think
2 the building -- if we build those buildings, they will
3 be modestly successful because we have a building on
4 the Atlantic Ocean facing the water and I think it
5 would be okay, I don't think it would be great, I
6 think it will be okay.

7
8 There is not -- there seems to be not
9 much of a market. That building may, in fact, and
10 this is my feeling and some of my own people disagree
11 with me, Tony Glideman, head of housing in New York
12 disagrees, this building may or may not be good for
13 what else is happening in Atlantic City. The
14 buildings we are proposing, I think on an individual
15 basis, they would be successful buildings. The market
16 though is not good.

17 Q You indicated that if the Housing Authority
18 said that you had to build 1200 units that are related
19 to the urban renewal tract that you might go along
20 with it, you said if you get a subsidy and I wonder if
21 you could clarify for me what subsidy you would be
22 referring to?

23 A The subsidy, the one and a quarter percent
24 to bring down the costs because we all know you can
25 look at some of the jobs that were built, that doesn't

1 Trump - By Commissioner Armstrong
2 mean all of them are negative. You can look at some
3 of the jobs, the Ocean Club and some of the other jobs
4 on a free market basis, you know they don't sell,
5 there is no reason to think ours are going to be so
6 much better, they are going to become a hot property.
7 The fact is we would need the subsidy, the one and a
8 quarter percent.

9 Q You are referring to the CRDA credit, the
10 direct investment credit?

11 A Yes, Ma'am.

12 Q That would be applicable to Resorts Castle
13 and Plaza?

14 A I would put them all together because of the
15 fact that it would be a big enough subsidy to get this
16 job developed.

17 Q Are there any CRDA approvals that, in you
18 mind, would be a condition to the merger agreement
19 being consummated in terms of the language contend in
20 Annex I, the various conditions and regulatory
21 approvals, et cetera?

22 A I don't believe we have it in there but
23 basically that would be a determination as to whether
24 or not we built the housing. In other words, if we
25 didn't get CRDA, we would give back the land or

1 Trump - By Commissioner Armstrong
2 whatever we do with the land, we just wouldn't build
3 on, because you just have to have it. You have to
4 have CRDA.

5 Q With regard to the question of the CRDA
6 credit as it would possibly apply to Resorts, Resorts
7 gained a CRDA credit for building housing on the urban
8 renewal tract, are you aware or was that something
9 that Resorts had contemplated before you acquired the
10 stock in July?

11 A I don't think so. I think that was me.

12 Q That's what I thought.

13 A It was. I wish they had that imagination,
14 maybe they wouldn't be in this situation. They were
15 talking about housing like that and it was not -- it
16 was just inappropriate, it wouldn't have worked, but I
17 don't think they had anybody that knew housing in New
18 York, they didn't know markets and housing and what
19 was going to sell and what wasn't going to sell, you
20 had to have the CRDA, I think.

21 Q When you were discussing the possible
22 requirement of 1200 units for the urban renewal tract,
23 you made a reference to I think you said Resorts built
24 576 units toward the housing obligation. Are you
25 referring to units that are already on the urban

1 Trump - By Commissioner Armstrong
2 renewal tract site?

3 A I am referring -- I don't think Resorts
4 built them.

5 Q I thought you used the word built?

6 A I might have used it. I am sorry. They are
7 on the site like the right to life.

8 Q Best of Life?

9 A Best of Life. We all have a right to life.

10 There are a couple of jobs, on the
11 total 576 units and they were on the site, they were
12 on the site.

13 Q Mr. Trump, are there any approvals,
14 clarifications or settlement of issues in dispute or
15 controversy which would require you, in your mind, as
16 a condition to the merger being consummated to be
17 obtained from the City of Atlantic City itself other
18 than any Housing Authority obligations?

19 A I don't think so. I think the housing is
20 the primary one. The housing and the CAFRA and the
21 city is not too involved in the CAFRA, so those are
22 the two conditions.

23 Q Mr. Trump, I wanted to ask you another
24 question which relates somewhat to the CRDA which
25 could conceivably relate to this question of your

1 Trump - By Commissioner Armstrong
2 financing and what you are able to do in terms of
3 completing the Taj Mahal. This relates back to
4 November of 1987, preliminary approval was given by
5 the CRDA after presentation at a public meeting by Mr.
6 Glideman regarding the 1200 units you wanted to build
7 in the three high rises on the boardwalk on the urban
8 renewal tract.

9 As I recall, that meeting was attended
10 by Mr. Glideman and I think Mr. Cooper was there, Ms.
11 Hartkin, John Donnelly was there and George Miller
12 from Mr. McGahn's law firm.

13 Based on questions and discussions at
14 the open public meeting portion of that meeting, I
15 think there was the impression that may have been
16 created, I don't know whether I have misunderstood
17 this or what, but that if the CRDA credit was received
18 for the three entities, Castle, Plaza and Trump, that
19 there might be an infusion of around 20 or \$40 million
20 into the Northeast Inlet Development, which is a
21 priority development project in the inlet, and I think
22 there might have been an impression created that that
23 was tantamount really to a donation or a gift?

24 I am asking because I wouldn't
25 necessarily want that misimpression out there and if

1 Trump - By Commissioner Armstrong

2 it has any bearing on what you are able to do if I
3 could get that clarified that that was an impression
4 or misunderstanding.

5 A I didn't know of this at all. I mean it's
6 possible that somebody that works for me made that
7 statement, but, you know, this company has to finish
8 one of the most expensive buildings if not the ever
9 built, I don't know how somebody could have said we
10 will make a contribution of \$40 million on top of
11 everything else. The housing itself is a
12 contribution. There is no money to be made from this
13 housing, there is money to be lost from the housing.
14 The housing itself is a contribution.

15 I can't -- you know, it's a little
16 interesting, the land that everybody talks about, the
17 great deal that Resorts made with the city or the
18 Housing Authority years ago, what kind of a great deal
19 is that? They are building the Taj Mahal, they are
20 saying here, you have a piece of land for very little
21 money, but on that piece of land in order to take it,
22 you have to build 1200 units of housing, you have to
23 build a hotel, you have to build this and you have to
24 build that, it was that piece of land that caused the
25 Taj Mahal to be built.

1 Trump - By Commissioner Armstrong

2 It's fine to say you have a piece of
3 land for \$5 million, it's another thing to say you
4 have a piece of land for \$5 million but you have to
5 build thousands of units of housing and hotel rooms
6 and all of this stuff in order to get the deal that
7 everybody used to say was a good deal which really
8 wasn't such a good deal.

9 The reason I guess the Taj Mahal was
10 started in the first place was in order to save that
11 land, when in actuality, they might have been better
12 off doing something else.

13 Q Mr. Trump, when we were here during the
14 proceedings in June and July concerning your purchase
15 of the B shares and I think the question of economic
16 concentration and some other issues were aired before
17 this commission. There was some discussion on the
18 record at that point in time concerning what the
19 status would be if you acquired the B shares and what
20 Resorts housing obligations are.

21 Can you tell me at the conclusion of
22 those hearings, what was your understanding as to what
23 Resorts' specific obligations would be with regard to
24 the Housing Authority in the urban renewal tract?

25 A I am not sure that I knew. I am really not

1 Trump - By Commissioner Armstrong
2 sure that I knew. I am not sure that anybody in
3 Resorts knew and they have been working with this
4 thing for years. I am not sure anybody in Resorts
5 knows now.

6 Q That was going to be my next question. Can
7 you tell me right now in this state what Resorts'
8 obligations are in that regard?

9 A Well, it's very difficult, it's very
10 confused. I mean you are talking about the subsidy,
11 do we get the subsidy, do we not get the subsidy. If
12 we don't get the subsidy, then it's a lot easier
13 because you have to just drop the land, you have to
14 drop the land. You don't take it down and, therefore,
15 you don't have an obligation to build the housing, you
16 don't have the land but the housing is going to go on
17 the land. If you are going to lose the money with the
18 housing, what good is the land?

19 With the subsidy, there is no money in
20 building with the subsidy, I mean essentially there is
21 no money. I don't see any money especially with the
22 new tax laws, with the depreciation being cut down to
23 nothing. There is no real money in building the units
24 from that standpoint.

25 My basic attitude has always been that

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I want to do what is good for Atlantic City. The fact is though that if Atlantic City doesn't need the housing, maybe that whole situation should be reexamined. I mean maybe something else, if you have other jobs that are sitting there vacant and yet, you know, we are going in order to do what some people would like is build some housing, so what are you going to do, you are going to have more housing.

I think that's what the Housing Authority wants to look at, I think they want to study the whole picture. I really believe they want to study the whole picture, to find out is it housing that should be built there, should the housing be built somewhere, should it be an amusement park, should a Disney Land be built there. They are going to study the whole picture and it makes sense to study it.

This was set up years ago, many years ago, the Housing Authority and this whole concept of what was done, but in life there has to be flexibility and if the times change and if that's not needed but something else is needed, maybe there should be flexibility and maybe there should be a change.

Q In light of all of this confusion and

1 Trump - By Commissioner Armstrong
2 questions up in the air as to what these obligations
3 are, how do you anticipate that within the 75-day
4 period the merger -- that you will be able to get the
5 approvals that you have think you need from the
6 Housing Authority or maybe I don't really understand
7 specifically what it is that you feel you have to
8 have?

9 A It's okay. It's a good question.

10 All we are asking for is the agreement
11 we already signed, and agreement to which I told you
12 before I don't think is a particularly great agreement
13 from our standpoint, that the agreement we already
14 signed which is a definitive agreement, be ratified
15 and approved so that at least we know where we stand.
16 If the city and the Housing Authority and the
17 commission or anybody wants to negotiate that
18 agreement differently so that they don't want these
19 units built or whatever it is, they want something
20 else instead or want the units in a different location
21 or they don't need as many units because of the market
22 conditions or whatever, if that be the case, then we
23 are very open and, in fact, encourage that dialogue
24 because, you know, the agreement we have right now,
25 while it allows me to do what I have to do which is

1 Trump - By Commissioner Armstrong
2 basically finance the Taj Mahal and get it going, I
3 don't think it makes sense to do it.

4 Q Which agreement are you referring to when
5 you say the agreement we already have sign?

6 A The one signed with the Housing Authority or
7 agreed to with the Housing Authority.

8 Q Is that the one that resulted in a
9 resolution passed in November which is the potential
10 subject of rescission?

11 A I think that's correct.

12 Q Is that the agreement?

13 A I think that's correct.

14 Q Can you tell me what your understanding is
15 as to what that agreement means?

16 A Sure.

17 Number one, it means that the
18 rescission right gets moved up a year and a half or so
19 to August of '89. Number two, it means that if we
20 decide not to go with the housing which I hope is
21 clear anyway, if we decide not to go with the housing,
22 we give back the land. Number three, it means that we
23 may, if we don't give back the land, build 1200 units
24 of housing. Those are the three basic points. I
25 don't know of anything else.

1 Trump - By Commissioner Armstrong

2 Essentially, the housing was going to
3 be built along the boardwalk. Along the boardwalk I
4 think it would be successful. I am not sure it would
5 be good for the inlet area. I am saying that, and
6 people don't necessarily agree with me, but I think it
7 would be successful. The reason it would be
8 successful is because of its location, it's a great
9 location.

10 Q Now, the question I have about that
11 resolution, what you have referred to as agreement is
12 this, with regard to whether or not you take down the
13 remaining parcels in your housing obligation, do you
14 understand that agreement which resulted in the
15 resolution to mean that you could take down
16 substantially all of the land say with the exception
17 of the last parcel and have no housing obligation at
18 all or is the housing obligation accruing at X number
19 of units per parcel?

20 A The land that has already taken down has
21 been taken down. The land under the Taj, the Showboat
22 land, the land that has already been taken down. This
23 pertains to the remaining portion of the land.

24 Q That 33 acres?

25 A I don't know. I think it's 33 acres, 30

1 Trump - By Commissioner Armstrong
2 acres or something. It pertains to that remaining
3 portion of the land. If we build the units we can
4 have the land. If we don't build the units, we can't
5 have the land. The obligation runs with the land. If
6 we took down the land -- I agree that if we took down
7 the land, we would have to build the units.

8 Q I am going to make sure we are exactly on
9 the same wavelength here.

10 Of the 33 acres remaining, if you took
11 down a 10 acre parcel, are you saying that there is a
12 housing obligation that runs with that parcel even if
13 you don't put them on that parcel?

14 A Okay. I wasn't at that meeting but my
15 impression of the agreement is that that wasn't
16 discussed.

17 Q That was not discussed?

18 A That that wasn't covered. That essentially
19 you either take all of the land with the number of
20 units or you don't take any of the land. And that
21 that wasn't discussed. In other words, I might be
22 wrong, I really wish you could ask somebody that was
23 there and made the agreement. I didn't really make
24 the agreement, I knew the concept of the agreement and
25 I approved the concept. I don't think that was

1 Trump - By Commissioner Armstrong
2 discussed.

3 I think it's all or nothing essentially
4 and it's something that is worthy of discussion.

5 As an example supposing you don't need
6 1200 units, you don't need 600 units, you want to have
7 300 units or something else, you know it could be
8 discussed and it should be discussed, but I don't
9 believe that pertained to this. This is 1200 units
10 and the 33 acres or 30 acres or whatever it was.

11 COMMISSIONER ARMSTRONG: Mr. Chairman,
12 I just want to say, I would like to know before this
13 proceeding is over, if that issue was discussed and
14 what the understanding is. My concern being could
15 Resorts take down 23 of the 33 acres, have the
16 remaining 10 acres remaining, decide not to take that
17 down and not have any housing obligation? I would
18 like to know at some point, not right now, but what
19 the understanding is with regard to that.

20 A And I just don't know the answer to that.

21 Q I appreciate that. I am sure somebody can
22 probably enlighten me on that.

23 Mr. Trump, if I understand you
24 correctly that the only approvals from the Housing
25 Authority necessary to meet the condition in Annex I

1 Trump - By Commissioner Armstrong
2 to the merger agreement is ratification of the
3 resolution which was passed in November which you say
4 is the subject of agreement which is still apparently
5 up in the air and going to be addressed on February
6 11?

7 A I think essentially that's right because
8 that covers the other points we discussed with the
9 understanding we are willing to renegotiate that if
10 they want to come up with a new plan or a different
11 plan or something and we are willing to negotiate it.
12 But at least that gets us through the Taj Mahal
13 uncertainty in terms of the land.

14 Q Mr. Trump, other than the CAFRA approvals,
15 approvals from the commission, and approvals from the
16 Housing Authority, are there any other regulatory or
17 governmental approvals that you contemplate are
18 necessary in order to meet the conditions set forth in
19 Annex I to the merger agreement?

20 A I don't believe so.

21 COMMISSIONER ARMSTRONG: I have no
22 further questions at this moment, Mr. Chairman.

23 THE WITNESS: Thank you.

24 CHAIRMAN READ: Mr. Waters.

25 EXAMINATION BY VICE-CHAIRMAN WATERS:

1 Trump - By Vice-Chairman Waters

2 Q Mr. Trump, I would like to go back to March
3 of '87, which I understand is the period of time in
4 which you purchased the stock that Resorts had from
5 the Crosby family, I think you referred to that
6 earlier in response to a question by Mr. Vukceovich
7 that you didn't know whether it was an obligation to
8 secure financing for the Taj built into that
9 agreement?

10 A An obligation?

11 Q Yes.

12 A I don't think I had an obligation,
13 certainly. I will, as I have, you know, we will try,
14 but I don't even know if that was mentioned. That
15 might have been mentioned but certainly I had no
16 obligation.

17 Q Let's put it another way, there was an
18 understanding at least between yourself and the
19 Crosbys that you would do everything possible to
20 assist in obtaining financing?

21 A Well, that's an obligation that I have to
22 myself.

23 Q No. I think you have two parties here, you
24 had an obligation or at least an understanding if
25 that's a better term with the family that as a part of

1 Trump - By Vice-Chairman Waters

2 this package of buying Class B stock you would attempt
3 to obtain financing --

4 A I would attempt --

5 Q -- which is the same thing you are doing
6 on --

7 A I would attempt to obtain financing, that's
8 correct. I think they looked at me as being the most
9 likely person able to complete the Taj Mahal. I
10 believe that.

11 Q Let me see if I could find what I want to
12 get to.

13 A Sure.

14 Q I guess Section 8 of that letter agreement,
15 In consideration of purchaser's efforts to assist,
16 consult in seeking to obtain financing for the company
17 in connection with the project in Atlantic City, New
18 Jersey known as the Taj Mahal and in advising the
19 company in connection with construction costs of the
20 project and various other considerations, the company
21 is bound by 3.0, 4.2 and 4.7, which really tells that
22 they are not going to do anything to encumber the
23 property and things of that sort?

24 A Sure.

25 Q You don't consider that to be an

1 Trump - By Vice-Chairman Waters

2 understanding between you and them as to what you are
3 going to do?

4 A Well, it says assist. Of course, I am going
5 to assist and I am going to try to do it, I have been
6 assisting in trying to do it. When that was signed
7 also, you didn't have October 19 and you didn't have
8 the problems of the world really falling on this
9 company and a lot of other companies over the course
10 of, you know, one day. That was signed before. In
11 fact, I will tell you as I told you before, we had an
12 eight percent bond issue put in there, convertible
13 bond issue and that was going along swimmingly. We
14 were practically done with the paperwork and as I
15 remember it, it was in there and then all of a sudden
16 we got hit with this October disaster and all bond
17 issues were off and so there were a lot of
18 differences, a lot of changes took place after October
19 19, sir.

20 Q Leading up to October 19 and leading up to
21 the November/December hearings that we had, had you
22 been successful in any way of lining up financing?

23 A Oh, I think so, we were. Prior to October
24 19?

25 Q No. Prior to the day you came into the

1 Trump - By Vice-Chairman Waters

2 hearings, which would have been November the 30, 29,
3 something of that sort. Let me put it another way.

4 What I am trying to get to, with this
5 understanding in March, what had you done between that
6 time and the time you came with the Management
7 Agreement?

8 A Yes, sir, I understand. The primary thing
9 is that I was with Bear Stearns and was very confident
10 at that point that financing would be no problem
11 because the so-called junk bond financing was very
12 prevalent and was being used all over, everybody was
13 doing it and there was no problem. In fact, financing
14 wasn't even a big issue at that time because again
15 this was before October 19. Everybody was getting
16 financing and they were getting it at reasonably
17 decent rates. We were going to do a rate of eight
18 percent with a purchase of stock, with an option to
19 purchase stock in the company, so in the true sense,
20 there wasn't much to be done because it wasn't very
21 hard.

22 What happened, though, is that we had
23 to wait for the commission to approve the deal, we had
24 to wait for, I guess, a couple of other things. What
25 happened ultimately -- we were doing our papers and

Trump - By Vice-Chairman Waters

then what happened ultimately anyway is October 19 came and it happened to a lot of companies not just us, you register with the SEC and what happened ultimately is that October 19 came and all bets were off with this, but we were very sure of financing before October 19, and then after October 19 it was a whole new ballgame.

Q So in other words, when you and Mr. Greenberg came into the hearing which was at the end of November, started at the end of November?

A Yes.

Q You were no longer certain of financing?

A I felt unhappy about financing because of the kind of rates that would have had to be paid, but I felt that perhaps it could have been gotten but it would have been very onerous financing. Again, it's not a Resorts issue, all I have to do is look at the deals being made, there were very few of them, but looking at the deals that were made, I think it was Southmark, but it was the first one after October 19 that cracked and again this was a 19 percent rate of interest and it was a piece of the company, I mean there were so many other different kickers that I had never seen anything like that. So it was just a very

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onerous situation.

Q Let me tell you what has me stunned. I understand on October 19 what happened when you folks came in before for the approval of the Management Agreement, October 9 had long passed and if I remember Mr. Greenberg's testimony, it wasn't yourself, he was very optimistic?

A That's right.

Q The only requirement he had was that we approve this Management Agreement because everybody wanted Trump to be involved and that type of involvement would have satisfied apparently the people with whom he was dealing. At least he left me with the impression, maybe he didn't intend to but he left me with the impression if we didn't approve the agreement there was no way on earth he could arrange the financing; if we did approve the agreement, he thought he could.

And somewhere in the testimony I am sure he made mention of a rate of 14 percent as a possibility. But again, Mr. Trump, when the hearings started, you had no tentative understanding from Greenberg as to what the terms were going to be?

A He wouldn't be able to tell me, sir. I mean

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14 percent, you look at prime companies that are financing bonds today, there is no such thing as 14 percent for these bonds, that I know of.

Q Of course I am not the expert.

A Yes.

Q I assume he wasn't the expert in financing and he threw the 14 percent figure around but the percentage is not the important thing here. I am trying to get at what understanding you had as to what he was going to do, assuming we approved the agreement?

A He thought if I didn't get the agreement, I wouldn't be in the company, that's number one. It's not a question of not having the agreement and staying in the company. He thought if I didn't have the agreement, I wouldn't be in the company, that's what he was essentially referring to, I believe.

As far as having the agreement, the thing that came up was that the agreement in one sense, while necessary from a management standpoint, was getting very complicated in terms of financing because all of the bond holders were saying, Well, will this come before, Will it come after, will it subordinate it, will you do this and do that, what is

1 Trump - By Vice-Chairman Waters

2 going to happen.

3 The other thing I can tell you is that,
4 you know, if you go to any of the firms on Wall
5 Street, they would always be optimistic. The fact is
6 I also understand optimism when a prime company is
7 borrowing at a certain rate of interest, we are going
8 to be paying the same rate of interest. Whether Mr.
9 Greenberg says that or not is irrelevant.

10 The times haven't changed very much.
11 They might be a slight bit better now than they were
12 then. They could be -- tomorrow we could wake up and
13 the market could drop another 500 points and we are
14 going to be in a lot worse shape.

15 So, you know, it's not that relevant
16 because the time that you get your financing is the
17 day you are approved by the SEC and you go out to
18 market and make your deals with the people buying all
19 of these bonds. I don't know if he said 14 percent, I
20 would find it -- he might have, I would find it hard
21 to believe because the rates are much, much higher
22 than that. The rates are not 14 percent, the rates
23 are much higher than that.

24 Another thing that happened is during
25 the hearings the equity of the company went down

Trump - By Vice-Chairman Waters

precipitously. You had an equity value of this company of hundreds of millions of dollars more prior to the start of these hearings than you did after the hearings, so you know, you didn't have -- a lot of things happened during the course of this period of time, a lot of things happened.

Q I can understand that, Mr. Trump. I guess the thing I am getting at, Mr. Greenberg was represented at least as being an expert in the art of financing and maybe he did not leave the other commissioners with the impression that everything was going to go smoothly, he left me with that impression and then to find within 9, 10 days after the completion of the hearing that that would have been held out as a possibility if no longer a probability was a shocker.

A As I mentioned before, sir, the fact is we were sued by a lot of people on the Management Agreement and the Management Agreement could have well been terminated after all of this was done and I don't think that the financing -- and I think Mr. Greenberg was optimistic, but I don't think he was optimistic to anyone saying we were going to get the financing. Also what is the difference if you get financing at 18

1 Trump - By Vice-Chairman Waters

2 or 19 percent, if you can get it at that, I am not
3 even sure if you could have gotten it at that.

4 Q I don't know what rate he was dealing with.
5 He said 14 percent, he mentioned in passing that was
6 not a commitment. I did think he had an understanding
7 with you as to what arrangement he could possibly work
8 out?

9 A I will tell you that from my prospective, I
10 like the Management Agreement with financing, just as
11 much or more than the deal I am currently making to
12 buy the company.

13 Q Let me see if we could get at it this way --

14 A I would rather have gotten financing than
15 the Management Agreement, than the deal I am making
16 now. Everybody thinks I am making such a good deal.

17 Q The thing that caused you to abandon a prior
18 effort and go with a tender and a merger is that
19 because he could not arrange the financing or because
20 you couldn't accept whatever terms he could come up?

21 A I would say it's a combination of both.

22 Q Also you were disenchanted?

23 A Well, there are a lot of problems. I don't
24 think you know you are going to get financing until
25 the last day anyway. Because a lot of people -- there

1 Trump - By Vice-Chairman Waters

2 is no way to tell if you are going to get financing.

3 I spoke to I think it was Dan Lee
4 (phonetic) or somebody once and he said he thinks he
5 can get the financing, and then I read an article in
6 the newspaper a day later that said very specifically
7 financing for such a job would be impossible at this
8 point in time by Dan Lee. They are brokers and they
9 are optimistic and good people, but to be perfectly
10 honest, whether you have to get the financing or get
11 the financing at 19 percent or whatever or whether you
12 don't get the financing, I am not sure it matters if
13 you have to pay that kind of an interest, that's what
14 the market is.

15 Q I am only going back to the statement that
16 you made apparently in your releases that you could
17 not get the financing. Of course, you are not going
18 to use your money unless you owned the business?

19 A That's right. I think I said that on an
20 economically viable basis.

21 Q It wouldn't make sense to do it?

22 A Yes.

23 Q I have no problem with that. It's your
24 choice, it's your money.

25 A I understand.

1 Trump - By Vice-Chairman Waters

2 Q What I am trying to get at is what really
3 caused that to come about that you could not get the
4 financing, was it the fact that you couldn't get the
5 financing or the fact that you didn't want to pay the
6 price?

7 A I think it was both. I think that I am not
8 sure that I could have gotten the financing. I don't
9 think I could have gotten the financing. I don't
10 think it could have been gotten. I know it could not
11 have been gotten on a viable basis because you would
12 have been paying so much interest but you wouldn't
13 have known unless you did a tremendous amount more of
14 legal work, registered your papers, filed your papers,
15 went to market and that's when the financing rate is
16 determined, the day you go to market is really the day
17 not three months or six months or four months before.

18 I was faced with great uncertainty, I
19 was faced with the uncertainty of filing these papers,
20 it would have taken 60 days, 30 days, 90 days or
21 whatever it is to get the papers out, while I was
22 sitting back waiting, doing nothing, hoping that by
23 the time you get cleared by the SEC, the papers come
24 out and then the world opens up and the financing is
25 available.

1 Trump - By Vice-Chairman Waters

2 Now, the problem is if it wasn't
3 available, which I don't think it would have been and
4 I think in retrospect, it was a good decision because
5 that financing isn't available today and right now I
6 would be sort of coming out or maybe a little bit
7 before now but I would be coming out. Then what
8 happens you put all of your eggs in this basket and
9 you are stuck with it.

10 In addition to which, the Management
11 Contract, as I said before was both a positive and a
12 negative, it was a postive in the sense they wanted
13 Trump; negative in the sense where does this money
14 come from to pay Trump.

15 The third element was that I didn't
16 know after doing all of this work whether or not I
17 would have been compensated at all in two years or
18 three years in a Delaware court. It could have been
19 that my contract would have been voided and rather
20 than going through all of the uncertainty and rather
21 than going through all of the problems and all of the
22 difficulties, I decided just to take -- to make an
23 offer for the company and buy the company and finance
24 the company.

25 Q I don't want you to misunderstand where I am

Trump - By Vice-Chairman Waters

coming from and I don't mean to indicate that you shouldn't have a right to do those things that make sense to you. It's unfortunate Mr. Greenberg isn't here today, because maybe I am alone on this commission, but it was pretty evident to me from the position he was taking that he was in support of your effort to get a management agreement and with that he thought he could arrange the financial.

Now, what arrangements the two of you had that we didn't know about really doesn't matter. All I can go on is what he represented here and it's pretty clear to me that one of two things happened either I misunderstood or he misrepresented what he thought he could do.

Of course, I realize what you think you can do and what you finally do are sometimes two different things, but quite frankly, I feel I have been used at least by the testimony Mr. Greenberg came in with, what he was holding out was that he had to have you and your involvement in this whole package in order to go forward.

I think at least I took him at his word. While I didn't vote for the Management Agreement, others did. I assumed he would follow

1 Trump - By Vice-Chairman Waters

2 through with this. This was a surprise to find out
3 nine days later that that is no longer possible.

4 October 19 had come and gone, as I said
5 before here, and it's being raised again as a critical
6 factor in not getting the financing. So it does leave
7 some question as to how much faith of dependence we
8 can put on what is said here.

9 In that regard, let me go onto the
10 question that Commissioner Armstrong raised that I
11 guess I don't have a clear understanding of and maybe
12 you can help me with it.

13 The other day when a stipulation was
14 presented, I raised a question I guess with Mr.
15 Schulte as to what the understanding was on the part
16 of the independent board of directors if the merger
17 was not completed in 75 days or maybe it's 90 days
18 because I understand they have a right to extend it
19 another 15 days. I was left with the impression again
20 that if the merger did not go through, the Management
21 Agreement would then kick in as revised to delete any
22 reference to earning the management fee until the Taj
23 was completed.

24 If I understood your response to
25 Commissioner Armstrong, it seemed to come out that you

1 Trump - By Vice-Chairman Waters

2 really didn't know where you would be if a merger
3 didn't go through, which leads me to feel that with
4 the Management Agreement, then you might kick that
5 aside or would you proceed under that Management
6 Agreement and do the things that you are committed to
7 do?

8 A It's something that I haven't been focusing
9 on, Commissioner, for the last little while. I don't
10 know what would happen if this deal didn't go through
11 with respect to the company, I just don't know. I
12 just don't know, with regard to the company or the
13 Management Agreement per se.

14 Q Don't you consider the Management Agreement
15 to be a binding --

16 A Absolutely. I would work under the
17 Management Agreement.

18 Q Pardon me?

19 A I would work under the Management Agreement
20 and I would do whatever I am supposed to do under the
21 Management Agreement, including trying to get
22 financing for Resorts, absolutely. I just don't know
23 if you can do it. That's all. I don't know if it can
24 be done.

25 Q That's somewhat different. I guess that is

1 Trump - By Vice-Chairman Waters
2 somewhat different to the answer you gave Commissioner
3 Armstrong, it isn't that you don't know what you would
4 do, you would continue to live up to the Management
5 Agreement?

6 A Oh yes, sir. Absolutely.

7 Q You don't know how successful you would be?

8 A Yes, sir.

9 Q I can see that as a reasonable approach.

10 If that's the case and heaven forbid,
11 and the merger doesn't go through and we now have a
12 Management Contract, do you feel that the terms of
13 that contract will stand in the way of getting
14 financing as it apparently did before?

15 A As I told you before, it was the positive
16 and the negative. The negative aspects were negative
17 and the positive aspects were the positive.

18 It's very possible that if the merger
19 didn't go through, I would just get out of Resorts.

20 Q Now you are flipping again.

21 If the merger didn't go through, you
22 might get out of Resorts, what happens to the
23 Management Agreement?

24 A If I felt that I couldn't -- that it wasn't
25 appropriate or that I couldn't do the job with regard

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to Resorts, if I felt that financing was unavailable, unavailable with regard to Resorts or from a practical standpoint unavailable in any event with regard to Resorts and that the Taj Mahal would get built, I may very -- I am not saying I would do it because I haven't considered it because I think this whole -- I think this deal will go through. If it doesn't go through, then it doesn't go through, I will have to reconsider what I would do. I may very well get out of Resorts.

Q So you wouldn't live up to the Management Agreement?

A No. I may terminate the Management Agreement or give them the option to terminate. Now, if they want me to stay in, I may stay in. If they wanted me to terminate, I may terminate. I think I would give them that right, I believe, if I couldn't live up to the Management Agreement from the standpoint of getting done what I would like to see done for this company and what I think has to be done for this company for the company itself to survive.

Q So there are still a lot of questions?

A Commissioner, the Management Agreement is only going to be viable or good if the company makes

1 Trump - By Vice-Chairman Waters

2 money.

3 Q I grant you that.

4 A I don't get any money from this Management
5 Agreement, I don't get any management fees if the
6 company is not making money. I only get the money
7 from the Management Contract if the company is a
8 viable company making money. So from that standpoint,
9 you know, there is much talk about the Management
10 Agreement doesn't mean anything unless the company
11 becomes successful.

12 Q But you would still -- assuming the Taj
13 Mahal you would still be deferring fees, would you
14 not, under the contract?

15 A Yes, I would be, yes, sir.

16 Q So the money might be there, not as of a
17 particular day, but down the road?

18 A Down the road maybe, if the company is
19 viable, the answer would hopefully be, yes.

20 Q Or if it were ever sold?

21 A If it were ever sold.

22 Q Your obligation would come out of that?

23 A Perhaps, I mean perhaps if it were sold for
24 enough money after all of the obligations that it has
25 previous to mine such as the cost of building the

1 Trump - By Vice-Chairman Waters

2 building and other things.

3 VICE-CHAIRMAN WATERS: Just one
4 question, Mr. Sterns, during Commissioner Armstrong's
5 questioning, you had a lot of discussion back and
6 forth as to whether there was an obligation to
7 construct housing. And I remember we were getting --
8 last summer at least I was left the impression,
9 whether it's true or not, that there was an obligation
10 to construct something like 1200, 500, 700, I don't
11 know what.

12 Is there someone available who can give
13 us the definitive answer as to whether there is or is
14 not an obligation and what that might be without
15 regard to the city housing authority, I don't know
16 what is going on there and I don't really care, I
17 would like to get back to what the original obligation
18 was, if there was one.

19 MR. STERNS: Sir, I will answer in two
20 ways. First of all, we will respond to Commissioner
21 Armstrong's question as requested with regard to the
22 issue. With regard to the issue you raised, I will
23 gladly put testimony on.

24 All along the position Mr. Trump stated
25 is the position that the company had prior to Mr.

1 Trump - By Vice-Chairman Waters

2 Trump's purchase of controlling stock in the company,
3 that was that. If all of the land were taken --

4 VICE-CHAIRMAN WATERS: You are going to
5 put someone on to testify to that?

6 MR. STERNS: Yes.

7 VICE-CHAIRMAN WATERS: There is no need
8 for me to deal with Mr. Trump on that.

9 MR. STERNS: I want to say, I don't
10 think the view of the company has changed with regard
11 to the obligation. It was the same view there prior
12 to the purchase.

13 VICE-CHAIRMAN WATERS: That's what I
14 would like to get from the witness.

15 (Recess.)

16 EXAMINATION BY CHAIRMAN READ:

17 Q Mr. Trump, you've described in considerable
18 detail the problems that Southmark had in attaining
19 its financing and that those rates would be
20 unacceptable to you. But then you also said I think
21 that actually the market has eased since the Southmark
22 transaction went through, so that it ought to be a
23 little better on that basis, and I guess I got a
24 question beyond that because if you're saying that
25 your rates would be somewhere in that bracket, are you

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equating Southmark or are you -- I should say are you equating Resorts under Trump leadership with Southmark, or are you not selling Donald Trump too cheap?

A That's interesting. I think I'm really equating Resorts to a lot of companies that have been unable to get financing or have been paying very high rates of interest. It's the type of financing that we're talking about which is secured by the assets of a company more so than the -- almost more so in a sense than the individual behind the company. Now, if I have it private it becomes a different kind of financing. It may some day be worth something.

Q We're not dealing with the question of private, I'm going to the question of Resorts under Trump leadership.

A Well, I think it's a similar thing to Southmark because it really is the kind of financing that's available regardless of the leadership per se.

Q That's not what Mr. Greenberg said.

A Well, I know what Mr. Greenberg said, I heard what Mr. Greenberg said and I was just asking somebody to look because he said that I think we'd have a very good chance, as I remember it, we'd have a

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very good chance of getting it, and with also tremendous caution. I believe that with me they'd get the financing maybe relatively better today because it's a little bit better over the last week or so, but with me they'd get the financing similar to Southmark. Without me, I don't think -- I really don't think they'd get the financing at all.

Q You indicated that the equity of the company went down pretty precipitously in the course earlier here. To what do you attribute that?

A Well, I really attribute it to a large extent to -- it had two drops. It had the October 19th drop, so we know where that went, and then after the hearings, during the hearings it went down and I had attributed it to a lot of the news that was coming out of the hearings, the negative statements that were being made about the company.

Q But who made those statements?

A Well, the questions were asked and we have to tell the truth as to, you know, what was happening in terms of cost, in terms of the company. You know, it's not something we particularly wanted to do, I don't believe.

Q It's your choice of words that did it.

1 Trump - By Chairman Read

2 A I mean, when you ask a question as to what
3 do you think of this or what about the costs or what
4 about the Taj Mahal or what about the financing, you
5 know, and day after day the newspapers are reporting
6 what's stated, whether it be through us or through a
7 consultant or through anybody else, it's not a
8 positive factor for the company.

9 Q But I think the consultant indicated that it
10 could fly with this agreement and probably the
11 agreement made it possible to fly.

12 A Well, I think they indicated that without
13 tremendous surety, and they did indicate that. The
14 equity value of the company went down during the
15 hearings again, which is, you know, a bank looks at
16 the equity value of a company. You're putting up your
17 assets against a bank loan or, you know, an issue, a
18 bond issue in this case, and the equity value of the
19 company drops so much during this period of time that
20 all of a sudden banks that had a company that was
21 worth X dollars, now it's worth X minus hundreds of
22 millions. It's a very big difference in terms of the
23 attitude of the institutions and the attitude of bond
24 buyers.

25 Q In the course of your testimony today I

1 Trump - By Chairman Read

2 think you indicated that if you'd only waited a few
3 weeks the price might have gone down to five, and yet
4 you indicated that that might make it much more
5 difficult to do. Could you explain that?

6 A Well, I meant by the fact that if I waited
7 it very well might. I don't know for certain that it
8 would have gone down, but I indicated that it might
9 have gone down to five, but that at the same time
10 somebody has to get ahold of this company, get the
11 construction built, get the financing done.

12 The additional number of points that
13 you would have saved in terms of the equity you might
14 have ended up paying in terms of the construction
15 costs substantially more by waiting. This was not a
16 company that had the luxury of waiting, and that's why
17 I did this.

18 Q What's the greatest cause of the increase in
19 the construction costs by the wait?

20 A Well, you have your real estate taxes, you
21 have -- I'll tell you the biggest cost is probably the
22 stopping of a building, which we haven't, but we
23 slowed it down.

24 The stopping of a building and
25 restarting of a building is a huge cost because the

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contractors come in, they take their cranes off the site, they take all their equipment off the site, they take their men off the site, they put their foremen and all of the people that know the building so well onto other jobs, and they start to do jobs, and then you get them back, and it's not easily definable, sir, what that is in terms of dollars, but it's a huge amount of money. That's probably the biggest. The biggest cost is stopping the job and restarting it again at a later date. It's a huge number.

Q Short of stopping it, I think if you're familiar with Mr. Schulte's testimony here the other day, he indicated that one of the major problems, of course, was the running interest that goes with the obligation currently outstanding and continuing to grow.

A Yes, sir.

Q Is that a substantial factor, that plus taxes, plus insurance charges, and inspections?

A Yes, sir.

Q Do you have any sort of handle on what that runs a month?

A Well, it's always changing because as we get more money to build the building it changes pretty

1 Trump - By Chairman Read

2 rapidly, but I think it's \$78,000,000 a year just
3 about at this moment, and that will be increasing with
4 the cost of the Taj Mahal.

5 Q You indicated I think in explaining the
6 situation to Mr. Waters that compared the financing
7 with the Management Agreement with the present plans
8 it was your idea that if you had your brother's
9 probably financing the Management Agreement was better
10 from your point of view than the present deal. Could
11 you compare and explain why one is better than the
12 other?

13 A Well, if I were -- if there was no such
14 thing as trouble with financing companies with junk
15 bonds and I was able to get an appropriate rate of
16 interest, a reasonable rate, even a high rate, but an
17 appropriate rate of interest, and not have any of the
18 risks of buying the company and the risks inherent to
19 ownership, I would -- I mean, again, I can't tell you
20 -- in five years I'll be able to tell you this much
21 better than I can now, but I would be very much -- I
22 would be equally as happy and maybe more happy with a
23 Management Agreement.

24 It's like a lot of hotel changes. They
25 go and take a management contract to run a hotel

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someplace and they don't own any of the hotel and they get their four percent or whatever it might be in terms of the revenues and they get it year after year after year without having no investment.

What I'm doing, it may be better if things work out the way I hope they're going to work out, but it could also be worse because I'm buying the company and when you buy something there are risks involved.

Q As the indication was, of course, in another hearing, when you've got the equity you've got an unlimited upside opportunity virtually, however, for improving your position.

A And a downside effort, too. That's the only problem.

Q But limited by what you've got there. At the hearing on the Management Agreement we heard a great deal about the positive effects, not only about the positive effects but the absolute necessity of obtaining that agreement. Today you spoke in greater length about the negative effects of that agreement and I don't remember hearing anything about the negative effects at the time of the earlier hearing.

When did you first become aware of

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those negative influences?

A Well, I started seeing it with regard to the financing. Was I going to, in terms of the bondholders, and even Bear, Stearns as they're starting to get more involved, was I going to subordinate my fee. And, in fact, some people even said we don't want the Management Agreement to kick in and, you know, I'm saying to myself I'm running the company, they're putting up the money because I'm in the company. They wouldn't have put up the money if I wasn't in the company, but now what they want is the best of all worlds, they want me to be in the company and they want me to use whatever it is I have to make this company successful, and yet they don't want to pay me the management fee.

So they really started wanting the best of both worlds and, again, that played a major role in my own thought process ultimately to say let's just buy the company and that way there is no management fee, there is no deduction, they love the fact that I own a hundred percent of the company as opposed to nine percent of the company because the psychology is that he's going to fight very hard for nine but perhaps he'll fight even harder for a hundred, and

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they like that. And I can talk about a different kind of financing, I can talk about putting up my own money as opposed to, you know, as opposed to obviously not being able to put up your own money, just having to rely on a market which is close to nonexistent at this moment in time.

Q So by the time you made your \$15 a share offer you pretty well abandoned the idea of the Management Agreement being the way to go?

A It was becoming a very difficult situation in terms of financing, in terms of lawsuits, in terms of litigation. You saw the same lawsuits that I saw because I guess copies were sent down and there were so many different problems. And when even the lawyers for the shareholders would say why don't you just buy the company, and they would say that. And ultimately they settled the lawsuits and they were satisfied. These same vicious lawsuits they were willing to settle, the same people that were ranting and raving to you and to everybody else, they were willing to settle the lawsuits. They wanted me to buy -- they wanted me to buy the company.

I think one other thing came up that I hadn't thought of as much as some of my people

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initially, and that would be down the road there would always be more of this, and I started to see it, because it was really -- it was really during the end of the hearings that we were bombarded with lawsuits. I never realized how many lawyers there were. I never had a thing like this before. I'd like to ask, there was 19 lawsuits?

MR. STERNS: 14.

A 14? 14 lawsuits. You know, every day, boom, boom, boom, and this was towards the end of the hearing and beyond the hearing during this three-week period before the approval. And I started to realize that this is just one aspect. This is a management--

Q I'm sorry, I missed that. Between the end of the hearing and the three-week period--

A Well, there was close to a three-week period. We waited I think two weeks, two and a half weeks prior to the approval and then--

Q But the hearing finished on the 10th of December and you got your opinion on the 16th.

A I'm not sure exactly. There was a period of -- I thought it was a couple of weeks. How long was it?

MR. RIBIS: The 10th to the 16th.

1 Trump - By Chairman Read

2 A 10th to the 16th?

3 Q 10th to the 16th.

4 A Oh, okay. Sorry. Anyway, it seemed like
5 longer.

6 The fact is that I was being bombarded
7 with lawsuits and I started to realize that under
8 these circumstances and having two other properties
9 down there where I own a hundred percent of the
10 properties, everything I ever do at the other
11 properties, and I started to see it, I even started to
12 hear it from lawyers on the other side where they're
13 saying conflict and this and that, even though there
14 would be no conflict.

15 Anything I did, if I had a fight, if I
16 signed Mike Tyson to fight Spinks Resorts'
17 shareholders will sue me why didn't I have it at the
18 Taj Mahal, why did I have it at the Convention Hall,
19 even though the Convention Hall holds more people.
20 Everything I did would have been subject to lawsuits
21 and conflicts and everything else. It was just a
22 whole lot of reasons. It just seemed like a lot
23 simpler solution.

24 Q So that you really pretty much abandoned the
25 idea of going forward with the Management Agreement

1 Trump - By Chairman Read

2 once you made your offer to purchase the stock. If
3 that's the case, why did you as of the 27th of January
4 when we had the hearing on the reopening as to the
5 Management Agreement resist the question of giving up
6 any right to commissions or fees at the end of the
7 ten-year period whether or not the Taj was completed
8 or not?

9 A Well, I'll tell you, that was something that
10 I didn't resist. I wasn't really involved in that
11 initially, Mr. Freeman resisted, and that was because
12 he didn't really speak to me. I had no problem with
13 that.

14 Q That's come up now more than once in this
15 hearing. All I can say is you are responsible for the
16 representations of your representatives.

17 A I agree with that. I agree with that, but
18 Mr. Freeman felt strongly about it, more strongly than
19 I, and ultimately we did give that up.

20 Q With respect to the question I just raised
21 I'd like to go back over something Commissioner
22 Armstrong asked about, and that was with respect to
23 the November hearing at the CRDA, there was a question
24 about whether or not you had ever at any time
25 authorized any sort of or an absolute payment toward

1 Trump - By Chairman Read

2 the inlet area provided the conceptual approval was
3 given for the work as outlined on the urban renewal
4 tract.

5 My understanding now is that you are
6 saying you had never authorized any such payment. I
7 think the figures she used were 20 to \$40,000,000.
8 Let's take the lowest figure. Were you ever aware of
9 or authorize any such payment?

10 A Not that I remember at all.

11 Q Not that you remember at all?

12 A I don't remember it at all. I'll go
13 stronger. I'll say I never authorized it.

14 Q Are you aware that Mr. Glideman, Executive
15 Vice President, made that representation on your
16 behalf?

17 A I am not.

18 Q Mr. Miller I think was also there. He was
19 in the McGahn office. Was Mr. McGahn representing you
20 in that matter?

21 A I believe he was.

22 Q But you were not aware of those
23 representations?

24 A I was not aware of it, sir.

25 Q You did say, I think, in connection with Mr.

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Vukceovich's cross-examination that you were, in fact, making the Taj a smaller building with the incorporation of Resorts by cutting casino space, by cutting the entire operation back. Can you explain that a little more fully? I didn't quite understand.

A Smaller in the sense of less casino space. The Taj would end up having 2,000 as opposed to the 1250, but it's smaller in the sense of the casino space, which is what I was referring to. It was going to have 40 or 60, I don't know, because they were talking about -- Resorts was originally talking about cutting back on the Taj casino, on the old Resort casino, plus a hundred. And what we did is made it 120 and closed the other casinos, so it's smaller in terms of the casino space.

Q But if I understand it correctly, your concept was really to make Resorts one part of the Taj so that they could pick up that additional room space and convention space and that sort of thing?

A Well, separate but a part of the Taj. Separate in the sense that it would be called Resorts International Hotel, it wouldn't be called the Taj Mahal. It's connected by a bridge. We'd like to use the restaurants and the other amenities that are

1 Trump - By Chairman Read

2 existing currently in the old Resorts for the Taj
3 Mahal, but I wouldn't want to have the old Resorts be
4 a part of the Taj Mahal in the sense of naming or
5 identification. I'd like to have one be called
6 Resorts International Hotel.

7 We want to fix it up, we want to make
8 it really a beautiful hotel, and then I want to have
9 the Taj Mahal be separate with the understanding that
10 we're going to be using the rooms and the restaurants
11 and the other amenities in the existing Resorts
12 International Hotel.

13 Q With respect to the Housing Authority
14 requirements under the agreement now entered into,
15 you've indicated you wanted an Estoppel Agreement, yet
16 I think I understood that your primary concern there
17 was to know in advance that the expiration date of the
18 wedding completion would have to be met on the Taj to
19 avoid the problem of having the land forfeited back to
20 the Housing Authority.

21 Is that the primary concern that you
22 have with respect to that?

23 A Well, I would say it would have been my
24 primary concern. Yes, the rescission aspect of it is
25 my primary concern.

1 Trump - By Chairman Read

2 Q Again, on Mr. Vukceovich's cross-examination
3 as to the Housing Authority agreement, initial
4 agreement, your indication was I can't tell you with
5 certainty since I haven't reviewed it myself.

6 Mr. Trump, I will remind you that on
7 June 10th we adjourned the hearing in connection with
8 your original acquisition of the Resorts stock from
9 the Crosby/Murphy combination until you had had an
10 opportunity to have that thoroughly reviewed by
11 yourself or by anybody on your behalf who could
12 explain it to you so you could be thoroughly satisfied
13 that you understood what that requirement was.

14 It's my understanding that in
15 connection with that hearing the representation was
16 made to this Commission that you had had an
17 opportunity to review it, and I think Mr. Freeman came
18 back and made that representation to us, that he had
19 reviewed it and had an opportunity to explain it to
20 you.

21 In view of that how can you tell us at
22 this time that you can't answer questions with
23 certainty because you're not familiar with that
24 agreement?

25 A Well, I'd like to be as precise as I can

1 Trump - By Chairman Read

2 with you, sir, and if you're talking about the
3 agreement, are you talking about the resolution?

4 Q I'm talking about the agreement that existed
5 between Resorts and the Housing Authority that was in
6 effect at the time of the June hearings.

7 A Mr. Freeman did explain it to me and I spoke
8 with Mr. Donnelly and I have an understanding of it,
9 but I'm not sure that anybody really understands it,
10 including the people that drew it, because I'm not
11 sure that anybody really understands what that
12 agreement in the truest sense means.

13 Q If that's the case, Mr. Trump, I want Mr.
14 Freeman on the stand at this time to explain his
15 direct testimony at the time of that hearing.

16 A Okay.

17 CHAIRMAN READ: I have no further
18 questions.

19 COMMISSIONER ARMSTRONG: Mr. Chairman,
20 if I could ask one more question of Mr. Trump.

21 EXAMINATION BY COMMISSIONER ARMSTRONG:

22 Q Mr. Trump, being the Commissioner for
23 Atlantic County you tend to hear things, rumors, et
24 cetera. And I heard a rumor that I hope isn't true
25 but I wanted to ask you about it, something to the

1 Trump - By Commissioner Armstrong
2 effect that Resorts has substantially stopped paying
3 its vendors, say within -- well, since approximately
4 Christmastime that there's been a substantial
5 withholding of payment to construction vendors and/or
6 goods or services vendors. Is there any truth to
7 that?

8 A There has been at Resorts a slowdown in the
9 payments to the vendors, yes, because of the fact that
10 the company is just not in a position to pay the
11 vendors in full until such time as this is resolved
12 and the financing is gotten. That's correct.

13 COMMISSIONER ARMSTRONG: Thank you.

14 CHAIRMAN READ: Mr. Zimmerman?

15 MR. ZIMMERMAN: No questions.

16 CHAIRMAN READ: Mr. Ribis?

17 MR. RIBIS: I having nothing else.

18 CHAIRMAN READ: Mr. Vukceovich?

19 MR. VUKCEVICH: I just have a few.

20 RECROSS-EXAMINATION BY MR. VUKCEVICH:

21 Q My understanding from the last hearing was
22 that as far as Resorts was concerned in terms of the
23 Management Agreement, that that was a ten-year
24 obligation and even if you were to be absent from the
25 Trump Organization that the Management Agreement would

1 Trump - Recross by Mr. Vukceovich
2 continue during the life of the continuing term.

3 A Correct.

4 Q Do you feel that you have any absolute right
5 to termination of the agreement at any time or for any
6 reason?

7 A Can I terminate the agreement?

8 Q Yes.

9 A I don't believe so without the appropriate
10 asking of the independent directors or discussion with
11 the independent directors or asking them, you know, to
12 terminate it. I don't believe I would have a right to
13 terminate them.

14 Q In view of the merger proposal has the
15 Services Agreement been put -- in other words, has
16 your performance under the Services Agreement been put
17 in abeyance or are you still performing under the
18 Services Agreement?

19 A Well, I am performing under the Services
20 Agreement and I think I'm performing well under the
21 Services Agreement. The Taj Mahal is I think for the
22 first time the Taj Mahal we know exactly what we're
23 building, when we're building it, and we're getting
24 the costs to a point where I think at the end of a
25 period of a year from now, let's say by March, the Taj

1 Trump - Recross by Mr. Vukceovich

2 Mahal will be opened and it will be very successful.

3 I mean, a lot of work is being done by
4 us on this company to make this a great company. And
5 I believe I'm working much harder than I even thought
6 I had to, whether you call it under the Services
7 Agreement or just because I'm doing it, but under the
8 Services Agreement I'm working very hard.

9 I told you about working with the
10 contractors, getting everything straightened out,
11 hiring designers. We have new designers on the job,
12 we have a lot of new people on the job, and the key,
13 again, to Resorts is getting this building built and
14 getting it built from a practical standpoint, getting
15 it built aesthetically beautifully and in getting it
16 open and getting it financed, and that's what this
17 company is all about for the next year.

18 And I've been working very hard on that
19 and I think that it's become -- I think it's becoming
20 more and more clear to me that this is going to be
21 successful.

22 MR. VUKCEVICH: I have no further
23 questions.

24 CHAIRMAN READ: Any further questions
25 from the Commission?

1 Freeman - Direct by Mr. Sterns

2 (No response.)

3 CHAIRMAN READ: Thank you, Mr. Trump.

4 THE WITNESS: Thank you, sir.

5 MR. STERNS: Mr. Chairman, we'll call
6 Mr. Freeman.

7 (At which time Mr. Freeman took the
8 stand.)

9 H A R V E Y F R E E M A N, having been first duly
10 sworn, testified as follows:

11 DIRECT EXAMINATION BY MR. STERNS:

12 Q Mr. Freeman, what is your current position
13 with regard to Resorts International?

14 A I am a director of the company.

15 Q And at the time that you appeared here in
16 June of 1987, what was your position then in June of
17 1987?

18 A I'm not sure we had closed prior to then. I
19 was an Executive Vice President of the Trump
20 Organization and involved with Mr. Trump in his
21 purchase of the Resorts shares.

22 Q And do you remember in June being asked to
23 review and study the obligation of Resorts
24 International under the Urban Renewal Agreement?

25 A I do.